

Town of Ballard
Ballard, Utah
FINANCIAL STATEMENTS
WITH GOVERNMENT REPORTS
Years Ended June 30, 2006 and 2005

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Financial Section



AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Ballard Town Council
Town of Ballard

We have audited the accompanying financial statements of the governmental activities, each major fund, aggregate remaining fund information, and budgetary comparison information of the Town as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, aggregate remaining fund information, and budgetary comparison information of the Town as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2006 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the schedule of road conditions, see Table of Contents for page numbers, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we express no opinion on it.

Aycock, Miles & Associates, CPAs

August 10, 2006

Management's Discussion and Analysis

As management of the Town of Ballard (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2006.

Financial Highlights

- Assets exceeded liabilities at closest year-end: $\$1,891,963 - \$131,469 = \$1,760,494$. Of this amount, \$540,255 is unrestricted and available to meet the Town's ongoing obligations.
- The Town had \$92,000 in long-term debt at the closest year-end.
- Net assets increased by \$48,077 from the prior year.
- The Town's total assets of \$1,891,963 were 37% cash and receivables.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets present information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activity of the Town is general administration. The Town has no business-type activities.

Government-wide financial statements can be found later in this report, see the Table of Contents for page numbers.

Fund financial statements—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is

useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of the revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found later in this report, see the Table of Contents for page numbers.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report please see the Table of Contents for page numbers.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$1,760,494 at the close of the most recent fiscal year.

The largest portion of the Town's net assets were Capital assets. Unrestricted net assets accounted for 31% of the Town's total net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Restricted assets (funds restricted for roads and debt reserves, etc.) comprised 7%. Capital assets (e.g., machinery, equipment, etc.) comprised 62% of total net assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

<u>Net Assets</u>	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 695,653	\$ 642,056
Net capital assets	<u>1,196,310</u>	<u>1,205,064</u>
Total assets	1,891,963	1,847,120
Current liabilities	(43,302)	(42,073)
Long-term liabilities	<u>(88,167)</u>	<u>(92,000)</u>
Total liabilities	<u>(131,469)</u>	<u>(134,073)</u>
Net assets:		
Invested in capital assets, net of related debt	1,104,310	1,109,230
Restricted	115,929	179,547
Unrestricted	<u>540,255</u>	<u>423,640</u>
Total net assets	<u>\$ 1,760,494</u>	<u>\$ 1,712,417</u>

Capital projects are, for the most part, fully funded by grants, town participation, and property tax revenues which exceed remaining operating and administration expenses.

Government activities- Key elements of the governmental activities are as follows.

<u>Change in Net Assets</u>	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Program revenues:		
Charges for services	\$ 105,684	\$ 67,390
Operating grants	74,412	73,940
Capital grants	-	5,000
General revenues:		
Property taxes	30,150	34,763
Sales tax	155,171	145,922
Earnings on investments	26,984	13,975
Total revenues	392,401	340,990
Expenses:		
General government	69,330	73,219
Public Safty	-	150
Highways and streets	138,585	87,929
Maintenance of Town facilities	13,275	14,498
Sanitation	59,402	52,546
Culture and recreation	47,880	50,491
Planning, zoning, and inspection	15,852	8,022
Total expenses	344,324	286,855
Increase in net assets	\$ 48,077	\$ 54,135

Charges for services will vary from year to year based on grant funding, etc. Operating grants will vary year to year based on project funding. Administration expenses remained relatively consistent.

Financial Analysis of the Government's Funds

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds-The focus of the Town's governmental funds is to provide information on near-term flows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$654,371, an increase of \$53,238 in comparison with the prior year. This total fund balance amount is \$115,929 reserved and \$538,442 unreserved. Unreserved fund balances are available for spending at the government's discretion.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, reserved fund balance of the general fund was \$115,929 and unreserved fund balance was \$163,442. As a measure of the general fund's liquidity, it may be useful to compare both unreserved general fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 51% of total general fund expenditures excluding capital outlay.

The fund balance of the Town's general fund increased by \$53,298, before transfers, and including transfers increased by \$76,402 during the current fiscal year. The capital project fund has a total fund balance of \$375,000, a decrease of \$23,164 from the previous year, primarily due to closing of a capital projects bank account.

Fund Budgetary Highlights

Amendments were made to the funds' original budgets.

Capital Asset and Debt Administration

Capital assets—The Town's investment in capital assets for its governmental activities as of June 30, 2006 amounts to \$1,196,310 (net of accumulated depreciation). These capital assets are land, land improvements, buildings, transportation equipment, and office equipment. Net capital assets decreased \$8,754. Net capital assets decreased because depreciation exceeded asset purchases and debt payments. Current year's depreciation was \$26,042.

<u>Net Capital Assets</u>	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Land and land improvements	\$ 723,000	\$ 723,000
Buildings & Equipment, net	473,310	482,064
Total	<u>\$ 1,196,310</u>	<u>\$ 1,205,064</u>

Long-term debt—The Town had minimal long-term debt activity during the year.

<u>Long-term Debt</u>	<u>2006</u>	<u>2005</u>
Current portion, C.I.B. loan	\$ 3,833	\$ 3,833
C.I.B. loan, 0%	88,167	92,000
Total	<u>\$ 92,000</u>	<u>\$ 95,833</u>

Economic Factors and Next Year's Budgets and Rates

The general fund budget for next year is relatively similar to last year's actual expenses with the exception of new budget items for police and fire contracts. A large increase in budgeted tax revenues has been made for the next fiscal year. The tax rates are set to reach about \$100,000 as compared to previous budgets of \$30,000.

Modified Approach to Infrastructure Assets

Governments have the option of not reporting depreciation on one or more networks or subsystems of their infrastructure assets. The Town has elected to not depreciate its infrastructure and therefore has adopted the modified approach. The modified approach requires a target condition and a condition assessment to be made at least every three years. Last year was the first year that the Town has published a condition assessment for its infrastructure. Although there are no years of comparable information, the Town does not believe that the current condition has deviated significantly from prior years. The Town believes that the current conditions of its roads can be maintained with the same level of expenditures that occurred during the most recent year end. Please see the Table of Contents for a page number for a schedule of road conditions and target assessments.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Ballard's Business Administrator, Meris Secrest, at (435) 722-3393.

Town of Ballard
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash	\$ 51,156
Savings & investments	594,477
Accounts receivable--Ballard Water District	21,803
Accounts receivable--property taxes	27,838
Accounts receivable--other	379
Other assets	-
Total Current Assets	<u>695,653</u>
Non Current Assets:	
Capital assets:	
Infrastructure	723,000
Buildings & equipment, net of accumulated depreciation	<u>473,310</u>
Total Non Current Assets	<u>1,196,310</u>
Total Assets	<u>\$ 1,891,963</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 9,588
Accrued payroll and payroll taxes	3,856
Current portion note payable	3,833
Deferred property tax revenue	<u>26,025</u>
Total Current Liabilities	43,302
Non Current Liabilities:	
Note payable, C.I.B.	<u>88,167</u>
Total Non Current Liabilities	<u>88,167</u>
Total Liabilities	131,469
NET ASSETS	
Invested in capital assets, net of related debt	1,104,310
Restricted (C roads)	115,929
Unrestricted	<u>540,255</u>
Total Net Assets	<u>1,760,494</u>
Total Liabilities & Net Asset Balances	<u>\$ 1,891,963</u>

Town of Ballard
STATEMENT OF ACTIVITIES
For the year ending June 30, 2006

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental Activities:					Total
General government	\$ 69,330	\$ 11,809	\$ 500	\$ -	\$ (57,021)
Public safety	-	-	-	-	-
Highways and streets	138,585	-	73,912	-	(64,673)
Maintenance of Town facilities	13,275	-	-	-	(13,275)
Sanitation	59,402	64,853	-	-	5,451
Culture and recreation	47,880	1,920	-	-	(45,960)
Planning, zoning, inspection	15,852	27,102	-	-	11,251
Total	\$ 344,324	\$ 105,684	\$ 74,412	\$ -	(164,228)
General Revenues:					
Property taxes					30,150
Sales tax					155,171
Earnings on investments					26,984
Total General Revenues					212,304
Change in Net Assets					48,077
Beginning Net Assets					1,712,417
Ending Net Assets					\$ 1,760,494

See accompanying notes. Page 10

Town of Ballard
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total Fund Balances for Governmental Funds **\$ 654,371**

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of the following:

Infrastructure	723,000	
Land, buildings, and equipment	648,383	
Accumulated depreciation	<u>(175,073)</u>	
		1,196,310

Long-term debt is recorded in the government-wide financial statements but not in the fund statements. (92,000)

Deferred property tax revenue includes delinquent property taxes in the fund statements but not in the government-wide statements. 1,813

Total Net Assets of Governmental Activities **\$ 1,760,494**

Town of Ballard
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
June 30, 2006

Net Change in Fund Balances--Total Governmental Funds **\$ 53,238**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	17,287	
Depreciation	<u>(26,042)</u>	
		(8,755)

Government funds do not report delinquent taxes as revenue because these revenues are not available for current period expenses. (240)

Governmental funds report debt services as an expenditure. However, repayment of debt does not affect the statement of activities but rather is a reduction of the statement of net assets' liability. 3,833

Change in Net Assets of Governmental Activities **\$ 48,077**

Town of Ballard
BALANCE SHEET--GOVERNMENTAL FUNDS
June 30, 2006

	<u>Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Governmental</u>
			<u>Funds</u>
ASSETS			
Cash	\$ 51,156	\$ -	\$ 51,156
Savings & investments	219,477	375,000	594,477
Accounts receivable--Ballard Water District	21,803	-	21,803
Accounts receivable--property taxes	27,838	-	27,838
Accounts receivable--other	379	-	379
Other assets	-	-	-
Total Assets	<u>\$ 320,653</u>	<u>\$ 375,000</u>	<u>\$ 695,653</u>
LIABILITIES			
Accounts payable	\$ 9,588	\$ -	\$ 9,588
Accrued payroll and payroll taxes	3,856	-	3,856
Deferred property tax revenue	<u>27,838</u>	<u>-</u>	<u>27,838</u>
Total Liabilities	41,282	-	41,282
FUND BALANCES			
Reserved:			
General fund reserved for roads	115,929	-	115,929
Unreserved:			
General fund, undesignated	163,442	-	163,442
Capital projects fund	-	<u>375,000</u>	<u>375,000</u>
Total Fund Balances	<u>279,371</u>	<u>375,000</u>	<u>654,371</u>
Total Liabilities & Fund Balances	<u>\$ 320,653</u>	<u>\$ 375,000</u>	<u>\$ 695,653</u>

Town of Ballard
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS
For the year ending June 30, 2006

	<u>Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>
REVENUES			
Sales tax	\$ 155,171	\$ -	\$ 155,171
Property tax	30,390	-	30,390
Class (C) road funds	73,912	-	73,912
Grant income	500	-	500
Licenses and permits	32,945	-	32,945
Sanitation income	64,853	-	64,853
Rent & concession income	1,920	-	1,920
State liquor funds	-	-	-
Miscellaneous	5,965	-	5,965
Interest income and royalties	26,974	10	26,984
Total Revenues	392,630	10	392,640
EXPENDITURES			
General government:			
Wages & benefits	37,158	-	37,158
Other general	20,549	70	20,619
Professional	5,533	-	5,533
Public safety	-	-	-
Highways and streets	137,530	-	137,530
Maintenance of Town facilities	7,705	-	7,705
Sanitation	59,402	-	59,402
Culture and recreation	34,482	-	34,482
Planning, zoning, inspection	15,852	-	15,852
Debt service	3,833	-	3,833
Capital outlay:			
General	-	-	-
Class C	8,935	-	8,935
Parks & recreation	8,352	-	8,352
Total Expenditures	339,332	70	339,402
Excess of Revenue over or (under) Expenditures	53,298	(60)	53,238
OTHER FINANCING SOURCES & (USES)			
Transfers in and (out)	23,104	(23,104)	-
Total Other Sources & (Uses)	23,104	(23,104)	-
Excess Revenues & Other Financing Sources Over/(Under) Expenditures & Other Financing Uses	76,402	(23,164)	53,238
Beginning Fund Balance	202,969	398,164	601,133
Ending Fund Balance	\$ 279,371	\$ 375,000	\$ 654,371

Town of Ballard
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE--BUDGET AND ACTUAL--GENERAL FUND
For the year ending June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Sales tax	\$ 135,000	\$ 135,000	\$ 155,171	\$ 20,171
Property tax	26,025	26,025	30,390	4,365
Class (C) road funds	85,000	85,000	73,912	(11,088)
Grant income	321,525	321,525	500	(321,025)
Licenses and permits	16,500	16,500	32,945	16,445
Sanitation income	58,000	58,000	64,853	6,853
Rent & concession income	1,300	1,300	1,920	620
State liquor funds	500	500	-	(500)
Miscellaneous	1,650	1,650	5,965	4,315
Interest income and royalties	10,500	10,500	26,974	16,474
Total Revenues	656,000	656,000	392,630	(263,370)
EXPENDITURES				
General government:				
Wages	49,300	49,300	37,158	12,142
Other general	34,950	34,950	20,549	14,401
Professional	8,500	8,500	5,533	2,967
Public safety	26,000	26,000	-	26,000
Highways and streets	155,500	155,500	137,530	17,970
Equipment maintenance	12,600	12,600	7,705	4,895
Sanitation	58,000	58,000	59,402	(1,402)
Culture and recreation	73,300	31,300	34,482	(3,182)
Planning, zoning, inspection	13,600	13,600	15,852	(2,252)
Debt service	3,900	3,900	3,833	67
Capital outlay:			-	
General	4,500	4,500	-	4,500
Parks & recreation	200,000	242,000	8,352	233,648
Total Expenditures	640,150	640,150	339,332	300,818
Excess of Revenue over or (under) Expenditures	15,850	15,850	53,298	37,448
OTHER FINANCING SOURCES & (USES)				
Transfers in and (out)	-	-	23,104	23,104
Total Other Sources & (Uses)	-	-	23,104	23,104
Excess Revenues & Other Financing Sources Over/(Under)	15,850	15,850	76,402	60,552
Beginning Fund Balance	202,969	202,969	202,969	-
Ending Fund Balance	\$ 218,819	\$ 218,819	\$ 279,371	\$ 60,552

Town of Ballard
Notes to the Financial Statements
June 30, 2006

NOTE 1 Summary of Significant Accounting Policies

Reporting Entity– The accounting policies of the Town of Ballard conform to generally accepted accounting principles as applicable to governmental units. For financial reporting purposes, the Town has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and the (1) ability of the Town to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town. The Town has no component units and is not a component unit. The following is a summary of the more significant policies:

Government-Wide and Fund Financial Statements–The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent of fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation–The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as

Town of Ballard
Notes to the Financial Statements
June 30, 2006

revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* is the government's fund to account for capital projects and overhead that can be submitted to grantors for reimbursement.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Deposits and Investments—The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables—All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts. Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property Taxes—The property tax revenue of the Town is collected and distributed by the Uintah County. Utah statutes establish the process by which taxes are levied and collected. The County Assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the County Auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The County Auditor makes approved changes in assessed value by November 1 and on this same date the County Auditor is to deliver the completed assessment rolls to the County Treasurer. Tax notices are mailed with a due date of November 30. The tax assessments are considered past due January 15 after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Utah State legislation requires motor vehicles be subject to an age based fee that is due each time a vehicle is registered. The age based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each County from motor vehicle fees is distributed by the County to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real

Town of Ballard
Notes to the Financial Statements
June 30, 2006

property tax is distributed. The Town recognizes motor vehicle fees as property tax revenue when collected by the County.

As of June 30, 2006, property taxes receivable by the Town includes uncollected taxes assessed as of the January 1, 2006 or earlier. The County expects that all taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the County Treasurer may force sale of property to collect the delinquent portion. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Inventories and Prepaid Items— All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets—At times, the Town may have funds set aside that are legally restricted or their use is limited by certain covenants. Restricted resources are applied first when eligible expenses are incurred.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is not depreciated. A modified approach will be used to disclose infrastructure activity.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Equipment	8
Vehicles	5
Office equipment	5
Computer equipment	3

Compensated Absences— The government's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave because the government does have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these

Town of Ballard
Notes to the Financial Statements
June 30, 2006

amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations, retirements or certain limits.

Long-term Obligations- In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity- In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications- Comparative total data for the prior year, if presented, have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Use of Estimates- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Data- Budgets are presented on the modified accrual basis of accounting for all governmental funds of the Town. The following procedures are used in establishing the budgetary data:

- During May and June of each year, the council prepares the budget for general and capital improvement funds.
- Copies of the budget are made available for public inspection for seven days prior to adoption.
- The Board holds a public hearing on or before June 22 of each year to receive public comment on the budget. Notice of such meeting to be published in newspaper or posted 2 weeks prior to hearing.
- By June 22, the proposed tax rate and budget is adopted by resolution or ordinance. If there is no increase in the certified tax rate, a final budget is adopted by June 22. A copy of the budget is certified by the budget officer and filed with County Auditor within thirty days of adoption.

Town of Ballard
Notes to the Financial Statements
June 30, 2006

- The proposed or final tax rate must also be submitted to County Auditor by June 22. If the Town sets a proposed tax rate which exceeds the certified tax rate, it shall not adopt its final budget until the public hearing has been held. Until the hearing is held and a final budget and tax rate are adopted, the Town may expand monies based on, 1) its tentative budget after adoption, or 2) its prior year's adopted final budget as amended, which must be readopted by resolution at a regular meeting of the governing body. Latest possible date for adoption in the case of an increased tax rate is August 17 (copy due to County Auditor within thirty days of adoption). Budgeted property taxes are the basis for determining the property tax levy.
- Budget shall be in effect subject to later amendment and shall be available for public inspection.
- Board may, by resolution, transfer unexpended appropriation from one department to another department within the same fund or they may reduce the budget in any department or fund. Specific restrictions apply.
- Board may increase the total budget in a fund after meeting notification and public hearing.

NOTE 2 Cash Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, \$0 of the Town's bank balances of \$74,347 (carrying balance of \$50,888) was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally

Town of Ballard
Notes to the Financial Statements
June 30, 2006

recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses (net of administration fees), of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 594,477	\$ 594,477	\$ -	\$ -	\$ -

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years. For funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed income securities to exceed ten years.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At June 30, 2006, the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Rating			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	\$ 594,477	\$ -	\$ -	\$ -	\$ 594,477

Town of Ballard
Notes to the Financial Statements
June 30, 2006

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

NOTE 3 Capital Assets

Changes in the capital assets of the Town are as follows. Amounts listed are net of accumulated depreciation except for infrastructure which follows the modified approach and is not depreciated.

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Infrastructure	\$ 723,000	\$ -	\$ -	\$ 723,000
Land	147,168	-	-	147,168
Total capital assets not being depreciated	870,168	-	-	870,168
Capital assets being depreciated:				
Buildings and improvements	109,316	-	-	109,316
Improvements	322,467	17,287	-	339,754
Furniture and equipment	52,145	-	-	52,145
Total capital assets being depreciated	483,928	17,287	-	501,215
Accumulated depreciation:				
Buildings and improvements	(116,694)	(19,976)	-	(136,670)
Furniture and equipment	(32,338)	(6,066)	-	(38,404)
Total accumulated depreciation	(149,032)	(26,042)	-	(175,074)
Total capital assets being depreciated, net	334,896	(8,755)	-	326,141
Governmental activities capital assets, net	<u>\$ 1,205,064</u>	<u>\$ (8,755)</u>	<u>\$ -</u>	<u>\$ 1,196,309</u>

Town of Ballard
Notes to the Financial Statements
June 30, 2006

Depreciation expense for the fiscal year-end June 30, 2006 has been allocated to the various functions in the Statement of Activities in the manner indicated below:

General government	6,019
Public safety	-
Highways and streets	1,055
Maintenance of Town facilities	5,570
Sanitation	-
Culture and recreation	13,398
Planning, zoning, and inspection	-
Total	<u>\$ 26,042</u>

NOTE 4 Long-Term Obligations

	June 30, 2005	Additions	Deletions	June 30, 2006	Current Portion
Utah C.I.B. Loan, 0%, matures 2030	\$ 95,833	\$ -	\$ (3,833)	\$ 92,000	\$ 3,833

Debt Service Schedule		
Year-end	Principal	Interest
2007	3,833	-
2008	3,833	-
2009	3,833	-
2010	3,833	-
2011	3,833	-
2012-16	19,167	-
2017-21	19,167	-
2022-26	19,167	-
2027-30	15,334	-
Totals	<u>\$ 92,000</u>	<u>\$ -</u>

NOTE 5 Employer contributing to a Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

The Town contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and Public Safety

Town of Ballard
Notes to the Financial Statements
June 30, 2006

Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. For July 2005 to June 2006, plan members in the Local Governmental Noncontributory Retirement System are required to contribute 0.00% of their annual coverage salary (0.00% is paid by the Town for the employee) and the Town is required to contribute 11.090% of their annual coverage salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Contributions. The Town's contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2006, 2005, and 2004 were as follows. The contributions were equal to the required contributions for each year.

Salary Subject to Retirement Contributions	Year Ended June 30	Employee Paid Contributions	Employer Paid for Employee Contributions	Employer Contributions
39,884	2006	n/a	-	4,123
43,297	2005	n/a	-	4,798
38,315	2004	n/a	-	3,687

The Town does participate in a 401(k) plan. These assets are in the employees name and the Town has no right to the 401(k) contributions.

Town of Ballard
SCHEDULE OF CONDITION ASSESSMENT FOR INFRASTRUCTURE
Required Supplemental Information
June 30, 2006

<u>Type of Infrastructure:</u>	<u>Condition Assessment (5 is best)</u>					<u>Total Miles</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	
<u>Roads</u>						
Paved road 24' wide, 30' wide with shoulders	-	-	21	-	-	21
Actual Percentage	0%	0%	100%	0%	0%	
Target Condition Percentage	10%	10%	80%	0%	0%	
Gravel roads with no shoulders--18' to 24' wide	-	-	3	-	-	3
Actual Percentage	0%	0%	100%	0%	0%	
Target Condition Percentage	10%	10%	80%	0%	0%	
Dirt roads with no shoulders--16' to 24' wide	-	-	3	-	-	3
Actual Percentage	0%	0%	100%	0%	0%	
Target Condition Percentage	10%	10%	80%	0%	0%	

Estimated annual amounts at beginning of fiscal year to maintain and preserve the condition level established compared with the amounts actually expended in the past five reporting periods.

<u>Year</u>	<u>Budget</u>	<u>Actual</u>
2006	155,500	137,530
2005	100,000	87,189
2004	102,000	19,404
2003	120,000	1,472
2002	95,000	85,235
2001	100,000	61,401

Note:

An assessment of 1 indicates a poor road condition and a 5 indicates the best road condition

The Town of Ballard has adopted the above listed targets for road conditions throughout the Town.

The Town has the opportunity to adopt a new standard as necessary. The Town has assessed the entire system in the fiscal year-end June 30, 2004. The Town has agreed to assess road conditions at least one-third each year.

Compliance and Management Section



AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

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**Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors
Town of Ballard

We have audited the general purpose financial statements of Town of Ballard as of and for the year ended June 30, 2006, and have issued our report thereon dated August 10, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards*. These compliance findings can be located in the compliance finding letter following this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Ballard's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors, audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aycock, Miles & Associates, CPAs

August 10, 2006



AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

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Utah State Compliance Report

Town Council
Town of Ballard
Ballard, Utah

We have audited the general purpose financial statements of Town of Ballard, Ballard, Utah, for the year ended June 30, 2006, and have issued our report thereon dated August 10, 2006. Our audit included test work on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Purchasing Requirements
Property Tax

Cash Management
Budgetary Compliance
Other Compliance Requirements

The Town received no major State Assistance.

The management of Town of Ballard is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed two instances of noncompliance. Please see compliance finding letter following this report.

In our opinion, the Town of Ballard, Ballard, Utah, complied, in all material respects, with the general and major compliance requirements identified above for the year ended June 30, 2006.

Aycock, Miles & Associates, CPAs

August 10, 2006

Compliance Findings and Recommendations

2006-1 Compliance Finding

Three departments within the Town's general fund exceeded the Town's legally adopted budget.

Criteria

The City is required to spend within its annual budget that has been approved by the City Council and discussed in a required public hearing.

Effect

Expenditures exceeding what the City Council and the public expected.

Recommendation

We recommend that the City Council carefully review its budget upon being created and then throughout the year. As appropriate, amend the budget when necessary.

Town Response

The City agrees with auditor recommendations. The City will periodically review its budget as considered necessary.

2006-2 Compliance Finding

The General Fund unreserved fund balance exceeded the 18% of revenue limitation as set forth by Utah State Law.

Criteria

Utah State law requires general fund balances to be held below certain thresholds.

Effect

A fund balance that exceeds Utah State limits.

Recommendation

We recommend that the General Fund budget for a transfer and complete an operating transfer to the Capital Projects Fund in order to fund its capital outlay through that fund instead of the General Fund.

Town Response

The City will transfer funds as needed to the Capital Projects Fund. The Town has a constantly changing one and five year master plan in place for which the capital outlay transfer can be earmarked.